July 22, 1959

Investor's Reader

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ATTORNEY DEWEY AND ROSENSTIELS OF SCHENLEY (see page 16)

DAITCH CHEESECAKE

This young lady enjoys a bite of fresh-baked cheesecake, one of the delicacies served by $13,000,000-assets Daitch Crystal Dairies Inc which operates 75 Daitch Shopwell supermarts in the tri-state New York metropolitan area. Begun 40 years ago as a wholesale butter & egg business which branched into dairying, later added some small retail stores, Daitch strongly stresses self-made specialties along with a full line of regular supermarket goods. It takes particular pride in its on-premise bakeries (14 installed so far) which finish-bake cakes and breads prepared & frozen at a central plant. This not only cuts waste from stale goods but wafts a sales-inducing fresh-baked aroma throughout the store.

In the massive internal & external expansion which followed its supermarket debut in 1952, the chain has striven to build up its quality food lines. Vice president & treasurer Theodore Dubin outlines: "We at Daitch had this tremendous dairy background; Shopwell which we merged in 1955 brought new general grocery and supermarket knowhow and the eleven-store Diamond K chain acquired in 1956 had a particularly fine meat operation." Then early this year Daitch took over a long-term lease ("with options beyond our lifetime") on a large modern warehouse in the Bronx which "provides an ideal central distribution center for produce, meat and groceries" and also serves as new corporate headquarters. While start-up costs limited the gain in second quarter earnings, Daitch expects soon to realize "very substantial" savings from the new facility.

Under its aggressive young (average in the forties) management, Daitch earnings have expanded steadily except for one sharp interruption in 1956. Last year net income reached $1,033,000 (76¢ a share adjusted for a 2-for-1 split this May) on sales of $75,300,000. With the help of some likely acquisitions still under negotiation, "we are shooting for $100,000,000 volume this year and a fair improvement in per-share earnings" despite dilution from rapid conversion of a convertible debenture issue.

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INDEX PAGE

Investor's Reader

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Some Stocks Look Back to 1929 Glories

Bull Market Upsurge Still Leaves Large Group Below Their Alltime Peaks

THE STOCK MARKET has burst through to yet another set of alltime highs, up 75% over 1929 to use the very rough yardstick of the Dow-Jones industrial average. Yet amidst this mass exploration of previously unscaled peaks, a surprisingly massive list of securities has yet to regain its 1929 altitude. Some of these stocks are tabulated on the following pages.

While a rather comprehensive sampling, this list is far from all-inclusive. In addition, of course, there are a great number of securities which could not be listed in any case since the stocks became worthless in the debacle of the Thirties. Others disappeared via the merger route.

On any below-1929 list, a reader of business news or rider of commuter trains no doubt expects a large rail representation, particularly from the East in view of the industry's oft-told tale of implacably rising costs and ever-stronger competition from trucks, planes, private cars. He is not disappointed. Rails ride all over the roster, led by the Pennsy (down 83%) and New York Central (down 88%).

But the list also covers a score of other industries and prominent corporate standard bearers covering the Big Board ticker tape from A (for Anaconda, down 64%) to Z (for Woolworth, down 42%). Also on the roster are such business stalwarts as AT&T and Chase Manhattan Bank.

So is Radio Corp of America, a company found on many a modern growth-stock list. In fact, RCA illustrates some very noteworthy points. The stock shot far up in 1929 when radio stocks enjoyed the glamor rating now accorded electronics and drugs. But came the reaction and

SOME STOCKS WHICH TRAIL . . .
(Adjusted for stock splits, etc)

Company	1929 High	1932 Low	Recent
ACF Industries Inc	88	6⅝	51
AJ Industries Inc	10	7¾	5
Alco Products	136	3⅝	20
American Bakeries	118	3½	47
American Bank Note	157	5	34
American Distilling	50	5	44
American Ice	54	3⅜	17
Am International	48	1¼	18
Am Laundry Mach	99	7⅞	40
Am Rad & Standard	55	3½	16
Am Steel Foundries	79	3	71
Am Sumatra Tobacco	20	⅞	16
Am Surety Co of NY	46	1½	26
American Tel & Tel	103	23	82
American Tobacco	116	41	100
Am Zinc Lead & Smelt	39	1	16
Anaconda Company	174	3	63
Artloom Industries	30	1⅝	12
Atlantic Coast Line	69	3¼	58
Atlas Plywood	22	⅝	15
Baltimore & Ohio	145	3¾	49
Bank of New York	365	57	285
Bankers Trust	208	27	89
Bigelow-Sanford	35	2⅛	17
Blaw-Knox	62	3⅝	54
Blumenthal (Sidney)	68	⅞	9
Borden Company	92	18	81
Boston Edison	110	30	62
Brazil Traction	36	3½	6
Brooklyn Union Gas	124	23	53
Bucyrus-Erie	42	1½	33
Bunker Hill	41	3½	11
Byers (A M)	192	7	44
Calumet & Hecla	61	1½	23
Canada Dry Corp	32	2	21
Canadian Pacific	269	7¼	30
Case (J I)	48	1¾	23
Centl Aguirre Sugar	48	7⅜	23
Centl Hudson Gas & El	34	8⅜	20
Chase Manhattan Bk	228	15	63
Chemway Corp	44	4	14
Cities Service	272	5	54
City Products	62	11	48
City Stores	27	¼	18
Cleveland Elec Illum	59	9½	47
Collins & Aikman	72	2¾	27
Columbian Carbon	114	4½	48
Commercial Solvents	70	3½	16
Conde Nast Pub	31	1⅝	8
Congoleum-Nairn	35	6½	13

RCA crashed all the way to 2½. So current levels around 70 (though one-third below 1929) show a 28-fold recovery since the Depression. More important to recent investors, Radio Corp has risen 40 points in the last year. This points up two key considerations.

- Regardless of their fate in the post-1929 collapse, most of these stocks have had a comeback (from moderate to tremendous) since the dark days of 1932.
- The past may provide some valuable clues but the investor's primary concern must always be the future prospects for each individual stock. Thus some of the companies on the list may possess a potential which could bring them far beyond their 1929 peak. For others the outlook may be dark and the stock no bargain no matter how large the discount.

Another point in making 1929 comparisons is many companies have undergone a complete metamorphosis. Only the other day Alaska Juneau switched its name to A J Industries to emphasize it has given up on its gold mining past (though it still explores a Mexican mine) and now seeks its fortune in a diversified array of industries (so far hydro-power for Juneau, auto & aircraft parts). Similar postwar changes signal the search for a broader industrial base by old rail equippers ACF Industries (American Car & Foundry) and Alco Products (American Locomotive).

Utility Hold. Most of the few

surviving utility holding companies (another glamor group of the Twenties) have turned into non-utility investment trusts—in large part at least to win commutation of the Utility Act's "death sentence." Examples: United Corp and Electric Bond & Share (which still awaits some final steps to formally shed its utility status), Cities Service, which had made itself primarily a utility holding company and saw its stock flop from $68 to 75¢ preceding a 1-for-10 reverse split in 1938, has since prospered by concentrating on oil.

Operating utilities generally fared better than their holding company colleagues but here too most are well short of their prestige-laden 1929 prices. Big Consolidated Edison in New York is down 65% and power companies in other big Eastern and Midwest cities are also down from 30 years ago. So is Southern California Edison in one of the nation's strongest growth areas. And in gas-rich Texas, Lone Star Gas is one-third below its 1929 high.

Banks also rated higher in the market 30 years ago than in the less boisterous present. One exception is the First National of Chicago which is up from 309 to 353 bid while Continental Illinois National is down from 260 to 127.

Some diverse trends show up in most industries. In the rails while the sharpest price declines are in the East, the stocks of Southern Pacific and Great Northern are also down from 1929 while the

. . . THEIR HIGHS OF 1929

Company	1929 High	1932 Low	Recent
Consolidated Edison	183	31	64
Cont Ill Nat Bank	260	14	127
Continental Motors	28	⅝	11
Coty Inc	32	1½	12
Cream of Wheat	44	14	39
Cudahy Packing	20	6	13
Daystrom Inc	164	3⅝	41
Delaware, Lackawanna	169	8½	9
Detroit Edison	70	9¾	44
Electric Auto-Lite	174	8½	48
Elec Bond & Share	568	5	35
Elec Storage Batry	83	10	45
Empire Trust (NY)	469	47	230
Endicott Johnson	41	8	34
Fawick Corp	22	1½	9
First Nat Bank Boston	198	18	90
First National City	585	24	81
First Penna Banking	175	25	48
General Cable	61	6¼	42
Glens Falls Insurance	44	13	34
Granby Mining	102	2⅜	7
Great Northern RR	64	2¾	56
Great Western Sugar	44	3¼	27
Hanover Bank (NY)	137	20	55
Hecla Mining	29	2	9
Helme (Geo W)	47	20	34
Holland Furnace	25	1⅞	13
Home Insurance	77	6⅞	50
Houdaille Industries	59	1	21
Howe Sound	27	1⅝	21
Illinois Central	76	2⅜	50
Interlake Iron	47	1⅝	31
International Shoe	77	20¼	36
Internatl Tel & Tel	149	2⅝	38
Interstate Dept Stores	93	1½	34
Iron Fireman	25	1¾	22
Irving Trust (NY)	102	12	40
Jones & Laughlin	165	3	81
Kresge (S S)	57	6⅝	33
Kress (S H)	57	9	39
Lake Shore Mines	27	21¾	6
Lakey Foundry	35	¾	7
Lehigh Valley Ind	32	1	3
Lehn & Fink Products	68	6	46
Liggett & Myers	106	34	93
Lone Star Gas	68	3⅜	43
Macy (R H)	255	17	41
Manufacturers Trust	152	6½	55
Maracaibo Oil Explor	18	⅜	6
Maryland Casualty	91	2	38

continued on next page

STOCKS BELOW 1929 HIGHS

continued

Company	1929 High	1932 Low	Recent
McCall Corp	54	10	22
Motor Wheel Corp	46	2	20
Murray Corp	100	2⅛	28
National Biscuit	94	20	51
National Can	41	14	10
National Fuel Gas	43	8	23
National Sugar Ref	55	10	39
Neisner Bros	34	½	14
New Jersey Zinc	87	15	29
N Y Central RR	256	8¾	31
Pacific-Amer Fish	41	2½	14
Pacific Tel & Tel	220	58	175
Pennsylvania RR	110	6½	19
Peoples Gas Lt & Coke	101	9¾	62
Screw & Bolt of Am	31	2	9
Poor & Company	43	1¼	27
Pullman Inc	99	11	66
Radio Corp of Amer	114	2½	70
St Joseph Lead	68	3⅜	36
Scoville Mfg	66	10	25
Seiberling Rubber	65	⅞	25
Servel Inc	21	1½	13
Shattuck (Frank G)	71	5	18
Simmons Company	188	2¾	55
Southern Cal Edison	91	17	58
Southern Pacific	78	3¼	73
Spalding (A G) & Bros	63	4½	20
Sparton Corp	73	1	7
Stewart-Warner	77	1⅞	53
Studebaker-Packard (formerly Packard)	161	7½	11
Sunshine Mining	43	8	7
Texas Gulf Sulphur	28	4	20
Timken Roller Bearing	69	3⅞	57
Trans-Lux Corp	24	¾	13
Transue&Wms Stl Forge	44	1⅞	39
Twin City Rapid Tran	53	1⅛	9
Underwood Corp	181	7⅜	27
United Corp	75	3⅜	9
United Elec Coal	67	2	36
United Industrial	63	¼	16
US Playing Card	140	10	106
US Smelt Ref & Mining	72	10	33
US Trust (NY)	192	35	92
Waldorf System	36	7½	17
Walgreen Company	72	5⅝	51
Walworth Company	49	¾	17
Western Union	60	3⅛	38
White Sewing Machine	60	⅝	11
Woolworth (F W)	103	22	60

fast-riding Santa Fe and Union Pacific are up only a few points. But the Nickel Plate, Southern and Kansas City Southern are all ahead of 1929 by 50% or better.

To cite just one other example of intra-industry contrasts, large farm equipper Deere has tripled in price since 1929 but J I Case (despite the company's sharp comeback under aggressive new management) stands at not quite half its 1929 high.

Of course, the 30-year comparison covers many wide interim fluctuations. While most of the stocks never saw their '29 high again, some came back and climbed to new alltime peaks only to slip once more. Examples: Atlas Plywood which reached 32 in 1948 (ten points above 1929 and double today); Bucyrus Erie hit 56 in 1956; S H Kress 62 in 1950; Iron Fireman had topped its 1929 high by 1937.

Nor was 1932 an alltime low for everyone. For instance, Borden was three points lower by 1939. National Can actually sold higher in 1932 than today. And Lake Shore Mines with a top of 27 in 1929 sold three points higher sometime in 1932, climbed to 58 in recession year 1938 but is down to 6 today.

All of which again proves individual stocks move in individual patterns. As one oldtimer recalls: "Western Union was awfully strong in the early days of the 1929 crash. After all, they did a tremendous volume sending out all those margin calls."

WALL STREET
Leakproof Deals

VERY FEW corporate secrets are kept in Wall Street. Despite admonitions and promises, the story of a big deal usually leaks out in advance of the formal announcement—and up or down go the stocks concerned. Two recent and notable exceptions:

• In late May Ford Motor Company announced it wanted to obtain 75% control of its Canadian subsidiary instead of the then 28%. The US company offered to buy 30,000 shares of Class B voting stock and 776,000 shares of non-voting Class A stock at $188 a share or $50 a share over the market price. Next day both issues zoomed and later they crossed $200. US Ford got the stock it wanted.

• Just before the Fourth, Diamond Gardner Corp and US Printing & Lithographing Company announced plans to merge. The proposed terms: 2.7 shares of Diamond for each share of US or more than $90 a share for the printing outfit *v* a market price of $69. The next day the shares leaped 22 points.

MACHINERY
Ex-Cell-O Cushion

WELL-HEELED concerns such as IBM, American Machine & Foundry and Pitney-Bowes have one thing in common: they enjoy a steady annual flow of dollars from rental of some of their products. Another member of the renting class is Detroit-based Ex-Cell-O Corp. Although known mainly as a machine tool maker, Ex-Cell-O's Pure-Pak division does a healthy business leasing milk & ice cream packaging machinery. Pure-Pak churned up $33,000,000 in revenues last year or over one-fourth of total volume.

The pleasant thing about rentals is in some years they are simply cream on top of earnings from regular operations while in hard times they provide a cushion for falling profits. The latter proved the case with Ex-Cell-O (XL on the Big Board) last year. President H Glenn Bixby reported: "Although total sales and operating revenues decreased, our policy of diversifying our product line was effective in preventing an even greater decline. Three general categories of our products showed decreased volume, one of our lines increased."

The gain was a 4% rise in Pure-Pak revenues. Sales of precision parts (largely used in aircraft) dropped 30%, machine tools slipped 46% and expendable or cutting tools 35%. However Pure-Pak could only cushion, not break, the fall in overall results. Volume for the fiscal year ended November 30 dropped 27% to $124,000,000 while net income of $10,700,000 was 24% below record 1957. This worked out to $2.89 a share (including a special 54¢ credit from an accounting change) *v* $3.87 in 1957. The poor 1958 showing was nonetheless ample to cover the $1.50 annual dividend.

Even though the recession is over, some things which plagued XL in

1958 lingered in the first half of this year. A major strike which began in October lasted through nearly the entire first fiscal quarter. Although a three-year contract was signed and "the attitude of our employes is now excellent," the strike was costly. Sales for six months ended May 31 declined 27% to $51,000,000 and profits dropped to 86¢ a share from $1.45 the year before.

Another kink in the recovery machinery is the current switch from manned aircraft to missiles. The aircraft industry is the main market for XL's precision parts (blades, wheels, rotors, etc) which yield over half of company volume; hence the transition from conventional craft to space birds hurts XL profits. Currently the company is in between programs for aircraft parts. It is spending a considerable amount of money on new tooling and in getting production moving along smoothly, anticipates increased shipments later in the year.

Dairy Deal. However Ex-Cell-O does not chance to be between programs if dairy men decide to change from wax to plastic-coated milk cartons. Glenn Bixby says determinedly: "When & if the dairy industry desires plastic coated containers, we plan to have the packaging machines available." In fact, XL is expected to have a full line of quart-type machines using polyethylene coated container blanks available early next year.

Right now the trend is toward larger milk containers with Ex-Cell-O shipping more half-gallon machines than all quart types put together. But whether cartons are big or small, plastic or wax, XL still stands No 1 in the industry (American Can Company is second) with "over 3,200 fully automatic Pure-Pak machines in the field" or enough to corner about 65% of the total market.

Dairying aside, company fortunes will also be fattened by the "pickup in the machine tool business" where Ex-Cell-O offers a wide product list ranging from tool grinders to precision borers to finishing machines. But with the poor first half and absence of any special credit this year, 1959 shipments will probably run somewhat under the $124,000,000 of last year and earnings should be around $2 a share.

However by next year Ex-Cell-O should excel once again. The 3,700,000 common shares reflect optimism and had nearly doubled from their recession low to 49 at presstime. Adjusted for a 2-for-1 split in 1957, last week's price was only two points below the alltime high posted in 1957.

COMMODITIES

Elastic Rubber Prices

TOSSED AROUND by Government stockpile rumors, strikes and spurts of Russian buying, natural rubber prices have been on the bounce. After touching nearly 24¢ a pound in May 1958 the rubber price tag stretched to 37¢ in early May of this year, then dropped to 32¢ seven weeks later. (Rubber futures quotations are in 1/100¢ a pound so a 5¢ change means 500 points.) The factors causing the

fluctuations are as numerous as the cleats on a tractor tire.

At the head of the list is automobile and truck production, racing along at a near-record pace. All told vehicles represent three-quarters of US natural and synthetic consumption. Trucks account for the greatest single use of natural rubber (their tires are about 80% natural, 20% synthetic). Following changing passenger car styles, tires have been 14 inches in diameter for the past few years rather than the former 15-inch and will probably narrow to 13 inches before too long. The 14-inch tires use 25% natural *v* 17% in the larger ones due to extra wear from more and faster revolutions.

Chairman Harry E Humphreys of US Rubber estimates this year will see shipments of 29,000,000 original equipment tires (24% more than 1958) and 64,500,000 replacements (5% over 1958). Translated into tonnage, the nation is expected to use 1,550,000 long tons in 1959 (35% natural, 65% synthetic) which is 14% above last year and 57% above ten years ago.

Tire inventories were down in April and May because of the eight-week strikes at Firestone and Goodrich and a shorter one at US Rubber. Now it appears manufacturers are restocking. Since the walkouts were merely over fringe benefits, the bare possibility of wage strikes later has kept some rubber buyers & sellers on the nervous side.

Red Invasion. At the beginning of this year, Russia stepped into the market and bought enough to spur the price uptrend. The Red buyers withdrew at a time when good news had been largely discounted. Futures tumbled. In the past week or so, Russia reportedly bought some 25,000

US Rubber bales prepared for shipment from Malaya to New York

tons in Singapore and London which may mean she is back in the market.

Another problem which increases the risk for speculators is the Government stockpile. At present Uncle Sam holds upwards of 1,250,000 tons in warehouses across the country. A law now on the books prevents stockpile liquidation on less than six months notice but new legislation could get around this. This would ease the world supply shortage of 75,000 tons (largest since War II) expected this year. The shortage exists despite a rapid buildup in overseas synthetic capacity. Both substances have settled into accepted uses here and synthetic no longer is gaining appreciable ground from natural. Abroad synthetic is far behind but gaining slowly.

Since the present world supply of natural (provided there is no stockpile release) is fairly stable and world consumption is on the rise, chances are good the market could continue the uptrend started late last month which brought the September futures contract back up to 34¢. Last week spots (the actual stuff) were selling over 34¢ on the New York Commodity Exchange. Barring unexpected moves by industry or Government, most rubber men look for an even springier 1960.

ELECTRONICS
Sprague Sprites

ALTHOUGH TODAY genies do not come in bottles Sprague Electric Company of North Adams, Mass calls forth their magic power out of its tiny resistors, capacitors, conductors (semi and otherwise) and condensers. These diminutive giants are expected to bring Sprague first half sales to $27,000,000, a 35% increase over the first six months of 1958. Earnings are figured at about $1.40 a share, a whopping increase over the 53¢ earned in the company's depressed first half last year.

Sprague's top customers are Uncle Sam (some 45% of total sales); radio, TV and phonograph producers (about 30% of total sales) and industrial component manufacturers (25% of sales). In the first half of 1958 demand for Sprague's elfin giants lessened in all three areas. Though business bettered in the second half, full year sales remained 6% below 1957 at $43,200,000 while earnings slipped to $1,800,000 ($1.41 a share) from the $2,200,000 ($1.78) netted the year before.

But with introduction of new and improved products (transistors, tantalum capacitors, magnetic components) added through Sprague's aggressive research, development and engineering program, company fortunes have rebounded. Wall Streeters predict 1959 sales will reach a record close to $55,000,000 with earnings $2.50 a share or better, although somewhat short of the peak $3.04 earned in 1950.

This optimistic outlook is reflected by interest in the company's stock which has run up from this year's low of 39 to a current price of 55 in the over-the-counter market. Among the stockholders cheered by this news is the Sprague family which owns 50% of the 1,240,000 shares.

DOUGLAS SHIP FOR EASTERN

Grand old veterans of the airways Eddie Rickenbacker and Donald W Douglas are admiring the still none-too-handsome visage of a big Douglas DC-8 jet which is due to appear on Cap'n Eddie's Eastern Air Lines in November. The big jet will be one of 16 sister ships ("re-evaluated" down from an earlier order for 20) in the Eastern fleet purchased at a cost of $108,000,000. They will join the line's 32 Lockheed turboprop Electras with which Eastern flew into the turbine power age in January. Another eight Electras are still to be delivered.

Eastern is one of 87 airlines in 42 countries which have ordered more than 1,000 jets and turboprops according to Jersey Standard's *Esso Air World*. Significantly, there is not a single new piston powered plane ordered for any major airline in the world.

While Boeing 707s have flown commercially since last Fall and United Air Lines will introduce DC-8s ahead of Eastern, Cap'n Eddie told stockholders "earlier delivery of jet airplanes was deliberately sacrificed" to obtain its "in many ways superior" DC-8 version.

Meantime the company has turned in a solid performance against some difficult odds and heavy, jet-assisted competition. A Christmas holiday strike cost it an estimated $5,000,000 in revenues and its four-months gross of $96,611,000 was 26% under the year before. Earnings dipped to $1 from $1.36. Since then Eastern (like most airlines) has enjoyed booming traffic, with June the best month ever, 6% over the former high month (March 1959) and 11% over June 1958.

NATIONAL ECONOMY
Billions on Wheels

SHORTLY before presstime the shares of General Motors crossed 58 for a new all-time high. At this price the 283,000,000 outstanding shares were valued above $16 billion. GM has 747,000 shareholders (including brokers) and therefore the average holding is $21,000—a big nest egg indeed.

SPORTS
Giant Step

WHILE THE BLUE-CHIP New York Yankees piloted by dour California banker Charles Dillon "Casey" Stengel endure a marked recession, their onetime "cats & dogs" cross-river rivals, the San Francisco (*née* New York) Giants, have been doing creditably on the ball field, better at the turnstile and sensationally in the over-the-counter market.

The Giants are currently quoted at second place in the National League, hot in pursuit of the Milwaukee Braves. Attendance is up from last year, figures to beat 1958's total of 1,274,000 fans and far outshine the 1957 Polo Grounds figure of 685,000.

Most remarkable of all however is the performance of the company's securities. "Units" of the National Exhibition Company (the corporate name of the Giants) have soared to $840 from a paltry $175 in 1957 when the club moved West. There are around 11,750 units outstanding, consisting of one preferred and one common share each.

Investors apparently sense a growth situation: a tremendous crush to get into the present small (23,000 capacity) but clean Seals Stadium; eager anticipation of the Giant's soon-to-be-finished 45,000-seat Candlestick Park and widespread consumer acceptance of some valuable farm products like all-star first baseman Orlando Cepeda and slugging outfielder Willie Kirkland not to mention such veteran dividend payers as Willie Mays.

The National Exhibition Company units are tightly held (mostly by president Horace C Stoneham and his fellow directors) and bidding by a small number of would-be buyers can send them rocketing up in price. This is similar to the situation in the stock of the Los Angeles Turf Club (code name for Santa Anita Race Track) which is quoted at $65,000 bid, none asked and rarely traded. Problems of a would-be buyer of National Exhibition units are complicated by the fact the company issues financial reports only to existing stockholders or Governmental bodies which insist on them.

Market observers point to some factors which temper enthusiasm for the Giants' current operations. Current attendance still does not match record New York attendance of 1,600,000 in 1947. The club must pay Polo Grounds rent and upkeep till April 30, 1962, also meet higher travelling expenses and pay part of their proceeds for Candlestick Park.

Seats are now being installed in the lower stands of the new structure, and the park is scheduled to

be ready by Fall—in time for what San Franciscans boldly hope will be World Series needs. The City of San Francisco voted a $5,000,000 bond issue and another $6,000,000 is financed by privately-placed revenue bonds on which the city promises to pick up any unpaid balance after 35 years.

The Giants will also get:

- Free office rent.
- All exhibition and World Series games rent free.
- All inside concessions and fence advertising revenues.
- A new clubhouse.

In return the Giants will pay the city 5% of net gate with a guaranteed minimum of $125,000 a year. The city will also receive revenue from parking lots and some advertising. Parking lots will accommodate 8-to-10,000 cars *v* 1,200 at the Polo Grounds.

West Coast observers label the arrangement the most attractive for any professional athletic group in the US. It has stirred pangs of jealousy among the San Francisco Forty-Niners pro football team which claims the Giants may pay the city less rent for their 77 home games than it pays for its ten home contests at small, overcrowded Kezar Stadium.

To these objections Mayor George Christopher, main civic moving spirit of the Giants' move, says the baseball club is proving "an excellent investment for the city." Busloads of rooters from 2-to-300 miles around are flocking to the city, spend an estimated $70,000,000 a year for taxis, hotels, restaurants and shopping and "that should improve when the new park is finished." His Honor adds "many important business transactions are taking place in Seals Stadium these days. The best way to get into the park is to do business with someone who has a season box."

Meantime most San Franciscans seem happy with their major league status. And if few are in position to bid for hard-to-find Giants stock, they speculate optimistically about a riproaring market for certain hard-to-find early-October tickets—a potential issue for which rival Milwaukee and Los Angeles syndicates are planning strong competitive bids. Thus the offering must be considered strictly when, as & if issued.

FISCAL
The Big Borrowers

UNCLE SAM is by far the biggest deficit spender in what economists and sociologists decry is fast becoming a nation of deficit spenders. However, headlines about the Treasury's herculean financing needs to the contrary, a new survey released by the Commerce Department shows overall Federal borrowing expanded relatively little in the 1950-58 period compared to that of state and local governments, not to mention debt taken on by corporations, mortgagees and consumers. According to the Commerce Department credit check:

- The total net Federal Government & agency debt totaled $232.7 billion last December, an increase of only $14 billion or 6.4% since 1950. However just during 1958 the total

had swelled 3½%—the biggest year-to-year increase in the postwar period. These "net" debt figures do not jibe with the customarily reported national debt figure of $283 billion or so. The major reason is they do not count debt which one member of Uncle Sam's family owes another such as the $17.7 billion in Treasury obligation held by the Social Security Trust Fund.

- On the other hand the $50.9 billion in total borrowings of state & local governments outstanding at the end of the June 1958 fiscal year were $30.2 billion or 146% above the 1950 level. Last year's increase was a hefty $4 billion over 1957.
- Total corporate debt stood at $247 billion on December 31. Of this $119.5 billion was in the over-one-year maturity range, $127.5 billion short-term. Since 1950 long-term corporate borrowing had swelled $59.4 billion or 99% while short-term debt increased $45.6 billion or 56%.
- In borrowings by individual citizens only mortgages (up $85 billion) and consumer credit (up $24 billion) showed greater dollar growth than the Federal debt during the 1950-58 period. However in percentage terms, all categories outborrowed the Federal Government. The rising roster: 60% for commercial borrowing by unincorporated businesses, 85% for borrowing by individuals for financial use, 91% for farm debt, 111% for consumer credit and 143% for non-corporate mortgages.

Federal, local, commercial, personal—it all adds up to an eight-year increase of $280 billion or almost 60% in total debt outstanding and brings the year-end total to a whopping $770 billion. Any way it is figured, over three-quarters of a trillion dollars is quite a sum in the hole.

RETAIL TRADE
Woolworth Zip

VENERABLE variety chain F W Woolworth Company celebrates its 80th anniversary this year with the wait-till-next year prediction of "record billion dollar sales in 1960." But this year also looks good for the $560,000,000-assets merchant with six months sales 4.7% ahead of the 1958 rate.

Record sales are not new to the nation's No 1 variety chain. Last year the company rang up sales of $864,500,000, 5% above 1957 and 7% ahead of 1956. But Woolworth earnings failed to keep pace. Last year profits dropped to $32,300,000 ($3.34 a share) from the $33,300,000 ($3.44) earned in 1957 and $34,500,000 ($3.57) in 1956.

From first dime store . . .

. . . To streamlined multi-dollar mart

As a result Woolworth's 9,700,000 common shares have also failed to follow the rising sales curve; they currently trade on the Big Board at 60, two points below 1946 and little more than half the 1929 high (see page 1).

However Woolworth last year initiated a program to cut costs and improve profits which may show results soon. The plan speeds the move toward: 1) an expanded product line; 2) new merchandising methods, especially self-service; 3) increased use of automation to speed handling of goods in company warehouses.

The product push broadens the original Woolworth line from the fast vanishing five & dime category to higher priced goods such as swivel TV chairs; colorful kitchen wares; curtains, rugs and draperies for every room in the house; records, radios and phonographs, etc. Some of these items carry Woolworth's private labels (Happy Home furnishings, Primrose nylons), but national brands are also represented.

Along with an impressive number of new products Woolworth added 89 new stores last year, remodeled 104, closed 58, to bring the total in December 1958 to 2,152 stores throughout the US, Canada, Cuba, Puerto Rico and Hawaii. This year the company will add another 110 stores, remodel some 100 and close another 50.

Even more impressive than domestic growth has been the development of Woolworth's foreign subsidiaries (Woolworth was one of the first US companies to cross the Atlantic). Some overseas items:

- Its 52.7%-owned British affiliate, 50-year-old F W Woolworth Company Ltd, which operates 1,012 stores throughout the United Kingdom, Jamaica, Trinidad, Barbados and Rhodesia, reported earnings of $33,700,000 for 1958 with $11,500,000 passed on to the parent company in dividends. This year Woolworth Ltd will mark its golden jubilee with a

birthday present of an additional $1,900,000 in dividends for its US parent.

• On the Continent 97%-owned F W Woolworth GmbH which has 83 stores in West Germany and Berlin (five more will be added this year) reported a "satisfactory improvement in sales and earnings for 1958." Out of 1957 earnings the German subsidiary sent $627,000 in dividends to the parent. So far this year payout has been more than tripled with $2,238,000 from 1958 earnings forwarded to the US.

• South of the border five-year-old F W Woolworth of Mexico (wholly-owned) with four stores open and three stores scheduled for 1959 debuts reports "the outlook for 1959 is favorable."

PAPER

Forest Giants

FAR TO THE NORTH of the Candlestick-Parked Giants (see page 10), in the coniferous woods of British Columbia, two forest giants—MacMillan & Bloedel Ltd and Powell River Company Ltd—have decided to pool their resources for greater profitability.

These two denizens of the Douglas firs have standing timber reserves of some 25 billion and 9 billion board feet respectively in Canada and the US Northwest. This is still short of the estimated 60 billion board feet of Weyerhaeuser Timber Company in Washington and Oregon alone (Weyerhaeuser also has acreage in North Carolina) but the combination will be by far Canada's largest.

With their tremendous forest resources the two companies turn out a variety of wood products. MacMillan & Bloedel (IR, Aug 24, 1955) accounts for about one-third of total Canadian plywood production. Powell River (IR, Sept 7, 1955) is a large manufacturer of newsprint, sulphite pulp and laminated paper. The former has assets of $192,200,000 and 9,100 employes, while the latter has $76,700,000 in assets and 3,405 employes.

Merger of the two timber cutters was first hinted in January 1958 when MacMillan & Bloedel acquired a 50% interest in Powell River subsidiary Martin Paper Products Ltd, a manufacturer of corrugated containers with plants in Winnipeg, Calgary, Edmonton and New Westminster.

The concentration of timber resources under one corporate title (and a mouthful it will be: MacMillan Bloedel & Powell River Ltd) is one which in the US would likely raise Justice Department eyebrows. In Canada however such mergers are not uncommon.

The marriage awaits only favorable tax rulings and the blessing of stockholders at special meetings. To effect the splicing of the two companies, Powell River will split its stock 2-for-1 and then offer seven new shares for three MacMillan & Bloedel class B shares. Because of the US stockholders in the companies, a registration statement will be filed with the SEC.

MacMillan & Bloedel's 5,254,000 class B shares recently sold at around 42 on the Toronto, Montreal and

Vancouver Stock Exchanges. This is off from their high of 48 in 1956 and this year's peak of 44½. Powell River's present 4,200,000 shares (which are on the same exchanges) trade at 39, off a goodly margin from their 1956 alltime high of 62¼. Earlier this year the stock has been as high as 43.

As the slip in the stocks would indicate, both companies have had some recent adversities. Though MacMillan & Bloedel increased its production facilities with newsprint, kraft paper and paperboard machines in production for the full year, sales were off 5% to $160,000,000 in the year ended September 1958. Earnings fell to $1.54 a share from $1.94 in fiscal 1957 and $3.56 in 1956.

Powell River's sales receded 17% in calendar 1958, reflecting a strike at its pulp and paper mills. Profits eased to $1.81 a share from $1.85 earned in 1957 and $2.60 in 1956.

Current operations however look better. MacMillan & Bloedel earnings for September 1959 year are estimated around $2.70 a share while Powell River may net $2.25 this year.

Figured on a pro forma basis the new company should thus net about $1.14 on the 20,800,000 shares to be outstanding. Dividends have been $1 a share annually for MacMillan & Bloedel (equal to 43¢ a new share) and $1.50 for Powell River (75¢ on the new stock). To avoid a pay cut for any participant, there is talk the dividend will be 75¢ on the new shares after the merger is effected.

WE HEAR FROM . . .
Republicans in Ripon

BOISE

GENTLEMEN:

I found in your INVESTOR'S READER of June 10 a statement I must challenge. At the start of the Talcott story you state:

"In the year 1854 when the Republican Party was founded in Jackson, Mich * * *."

The *World Almanac 1958*, page 136, states: "The Republican Party started at Ripon, Wis, Feb. 28, 1854. First state organization July 6 at Jackson, Mich." This statement is also in the *Encyclopedia Britannica*. The little schoolhouse where the first meeting was held is an historical landmark at Ripon.

Since I too was born in Ripon I couldn't let you get by with this.

Very truly yours,
MRS J F BRUINS

Sorry for any slight to Ripon and its civic-minded alumnae. Apparently the problem is just what constitutes official establishment. IR relied on the *Encyclopedia of American Facts & Dates* which states: "Republican party formed at Jackson, Mich * * * A preliminary organizational meeting was held in Ripon, Wis, Feb. 28, 1854. It included Free-Soilers, Whigs and antislavery Democrats. It was here that the name 'Republican' was first suggested."

But there is no official answer. The harmony-loving Republican National Committee refuses to take a stand, leaving both Ripon and Jackson supporters free to press their vigorous claims. One Easterner notes both these meetings were state-wide only, suggests one could properly claim the national party was not really organized until the Philadelphia convention of 1856 which nominated soldier-explorer John Fremont for President.—*Ed.*

LIQUOR

Dynamic Chairman Rosenstiel Talks of Many Interests— Mostly Centered on Schenley

JUST BACK from a strictly-business trip to Europe, Lewis Solon Rosenstiel drew a breath in his thirty-seventh floor office in the Empire State Building and mused: "If we laid all Schenley's barrels end to end, they would reach from here to Carson City." It was a graphic linear description but actually the oversized globe beside his curved walnut desk maps the story better.

Schenley Industries, founded 26 years ago by its present chairman & president Lew Rosenstiel, stands No 3 (behind Seagram and National Distillers) among US distillers with sales last year totaling nearly half a billion dollars. Headquarters take up ten floors in the world's tallest skyscraper, a far cry from the quarters on Manhattan's 40th Street where Schenley officially set up shop in 1933.

Lew Rosenstiel first sniffed the liquor business in 1907 when an uncle got him a job in a distillery. He stayed with it even during prohibition (operating a Government-OKayed warehouse), all the while making helpful contacts. Convinced repeal was inevitable, Rosenstiel spent the dry years buying up all the whisky he could lay his hands on and made deals to import some famous European brands. Consequently by the time humorist H Allen Smith gulped the first legal drink, Schenley was in business. With this running start, the company gathered speed adding new distilleries, bottling plants, wineries and distributors almost every year on its way to becoming a $440,000,000-assets giant. Today the company has 38 plants (with several more scheduled for Fall operation), employs over 7,000 workers and markets close to 75 different brands from I W Harper to Ron Carioca to Cherry Heering.

When Schenley moved into its present home in 1937, part of the 40th Street office was transplanted there. While on scouting trips for imports, Rosenstiel took a shine to three rooms he found in a London inn, an English manor house and a chateau in southern France. With characteristic decisiveness, he bought them, had them shipped over here and reassembled. Now known as the Georgian, Jacobean and Gascogne rooms, they are a part of the Sky Lounge on the thirty-seventh floor and serve as big shot private dining quarters.

When the mobile Schenley head is not working out of his Greenwich, Conn farm, his Miami Beach haven or aboard the company's DC-3 he tries to grab a bite in one of these Seventeenth and Eighteenth Century rooms with his executives or business guests. Although shop talk prevails, he is as well-informed about the Russian student exchange program as the price of an aperitif on the Champs Elysee. Sipping a fruit soft drink and nibbling his usual cottage cheese and tomato aspic sal-

ad, he deplored the passing of the English pub, saw no threat to Schenley in the current claims for instant liquor.

Global Toast. Striding to his shades-of-liquor-colored office with energy which belies his 68 years, he pointed to a stack of beautifully bound old volumes lying on a desk and asked, "Did you see my new books?" As he lifted the top one, the "stack" opened to reveal a crystal decanter and six glasses—a new addition to the thousands of exquisite bottles in the company collection. About production of exotic containers however, the chief executive reflected: "We took a $1,500,000 licking on decanters once—now we're more careful in judging requests. Here the biggest demand for fancy bottles comes at Christmas but we ship abroad all year."

Lew Rosenstiel leafed through some recent orders: "Virgin Islands, Hong Kong, Wiesbaden, the Marianas, Surinam. Here are a couple from the Philippines * * * if they don't have cash, I'll trade them rope. We get orders from places I've never heard of and I have to go to my globe to find them."

Much of this "expansion in the world picture" which has been dominant in recent years was undertaken by Schenley as a result of the so-called "force-out" provisions of the federal excise tax law. Until last September when the passage of the Forand Law removed the deadline, distillers had to pay the $10.50 a proof gallon excise on all bonded (held in Government - inspected warehouses) whisky which was over eight years old, whether or not it was sold.

With a backward glance at the liquor shortages during War II Schenley overproduced during the Korean War, thus had great quantities of booze which either had to be shipped abroad or sold at "distress" prices. Consequently Rosenstiel became a one-man crusade for removal of the limit. By no coincidence and to the discomfort of the other big distillers Schenley was the major beneficiary.

Enjoying the taste of victory, he has already announced his intention to press for further legislation including a moderation tax incentive (lower taxes on lower, less intoxicating proofs) and extension of the 15 day tax reporting system to 30 working days. This would free $250,000,000 in industry capital tied up in tax stamp purchases without

Barrels full of Schenley

reducing the Government's revenues.

Lew Rosenstiel is rabidly anti-moonshiners and feels the Government should earmark a part of the $2.9 billion yearly liquor taxes to war on illegal stills. "Aren't we entitled to ½ of 1% to protect that revenue?" he demands. To help his causes in the courts and in Congress, Schenley retains a special battery of legal experts, led by former New York Governor Thomas E Dewey (see cover).

Experts Acquired. Today Schenley has experts in several fields, from the law to lotions. To insure proper aging of Schenley products, a cooperage outfit in Louisville which makes the all-important white oak barrels was acquired in 1944. This alone is a thriving business which also supplies not only other distillers but industries which use them for storing everything from chemicals and dyes to lard and pickles. A year before, Schenley had added beer to its product list with the Blatz Brewing Company. Last year Blatz was sold to Pabst for over twice the original purchase price of $6,000,000 plus some shares of Pabst stock.

Like so many modern businesses anxious to add an extra cent to their earnings, the liquor industry has learned to utilize elements once regarded as useless. Schenley's farm foods division converts grain residue from fermented mash "into highly nutritious food for livestock and poultry, with about three times the concentration of important grain nutrients as does raw grain itself."

This cost awareness recently inspired in the packaging division what Rosenstiel proudly calls "one of the most exciting things I've ever seen done with waste material." Instead of throwing away the 12-bottle carton in which "the goods" are shipped, the retailers can convert one redesigned case into enough display pieces to fill a whole window (see picture). All of the packaging from bottle design to wrapping paper is done by a staff of ten artists in the New York office.

Another facet of Schenley is SchenLabs Pharmaceuticals which though a small factor "is making money." Its most important product is Neutrapen, "the first medical discovery for the specific purpose of counteracting penicillin reactions."

Park & Tilford, a 119-year-old distilling firm long controlled by Schenley was recently merged and is being revitalized. Last Spring P&T quadrupled its sales force in metropolitan New York and reinforced the campaign with a series of the largest newspaper ads in the industry's history in hopes of regaining the carriage trade stature it once enjoyed. P&T also has a Tintex & Toiletries division which makes dyes and perfumes. As for any further additions to the non-alcoholic line, Rosenstiel was non-commital, would only venture "We're always looking, but for the right items not businesses."

Early this year "the chairman," as he is known to his associates, was named "outstanding industry leader of the year" by top trade paper, the Ed Gibbs Newsletter.

Shopkeeper creates Schenley do-it-yourself display window

In receiving the "Edgar" by unanimous vote of the judges, he was cited chiefly for his recent tax battles. He has also been widely lauded for his efforts to make bourbon the national drink through the Schenley-sponsored Bourbon Institute.

Wobbly Line. Regardless of diversification and the experienced leadership of Lew Rosenstiel, Schenley sales and profits have shown wide swings over the years—a characteristic of the liquor industry. For example company sales dropped from the record of $644,000,000 in the fiscal year ended August, 1946 to $410,000,000 eight years later. Causes: Korean War-inspired inventory build-up plus heavy new taxes. In this interval profits collapsed from a record high of $49,130,000 to only $3,809,000. Stockholders felt the fall since the stock skidded from 100 after a 10-for-7 split in 1946 to 17½ in 1954 after a 5-for-4 split (in 1950).

But in the past four years profits have been on the upgrade and this fiscal year will set an eight-year peak. In the nine months ended May profits were $12,900,000 or $2.30 a share *v* $10,600,000 or $1.89 a share after adjustment for three 5% stock dividends paid this year. Another 5% stock dividend is due next month. Overjoyed Schenley directors declared the stock bonus after the victory on bonding limitations.

"The chairman" who owns close to 11% of the common stock last week said: "The way things look we'll have a big last quarter." All of which helps explain why the company's 5,690,000 common shares (SH on the Big Board), trade around 40, a long way from the highs of the Forties but more than double last year's low.

Atoms Afloat for War and Peace

Nuclear Cruiser And Merchant Ship Launch Task Force of Tomorrow

AFTER CENTURIES of sails and over 100 years of steam, the shipping world (surface division) this month received dual propulsion into the atomic age. A week ago the sluice gates were opened at Bethlehem Steel's Quincy, Mass shipyard (newfangled yard design eliminates the slide down the way) to set afloat the Free World's first nuclear surface warship, the Navy cruiser *Long Beach*. This week at New York Shipbuilding's Camden, NJ yard, Mamie Eisenhower swung the traditional bottle of champagne to launch the NS *Savannah*, the world's first nuclear merchant ship.

Alike in a number of features—power plant, precautionary characteristics, etc—the two ships are very different in purpose. The *Long Beach* is a strictly-business weapon in the Navy defense arsenal; the *Savannah* is a strictly-experimental "floating laboratory" for Atoms for Peace.

Long Beach gets her bow

Because of its military status, specifications and expectations for the *Long Beach* are pretty much classified. The 720-foot vessel displaces about 14,000 tons, cost almost $100,000,000. Her two pressurized water reactors which were built by atomic maritime master Westinghouse Electric (IR, Oct 15, 1958 *et seq*) are each bigger than the one on the Nautilus, smaller than the one which powers Duquesne Light's Shippingport Atomic Power Station (IR, June 11, 1958). They will give her a speed described as "high" (outsiders estimate 30-to-40 knots) and a cruising range which is "virtually unlimited."

Because the nuclear fuel "burns" without smoke, the *Long Beach* is stackless. And instead of the usual trimming of gun batteries, her superstructure bristles with weird electronic devices and apparatus for launching Polaris guided missiles. Planned after the history-making *Nautilus* showed an atomic Navy was possible, the *Long Beach* is but the first of a blue-printed task force of nuclear surface ships. An atomic carrier, the *Enterprise*, and a guided missile destroyer leader, the *Bainbridge*, are due for service by 1965.

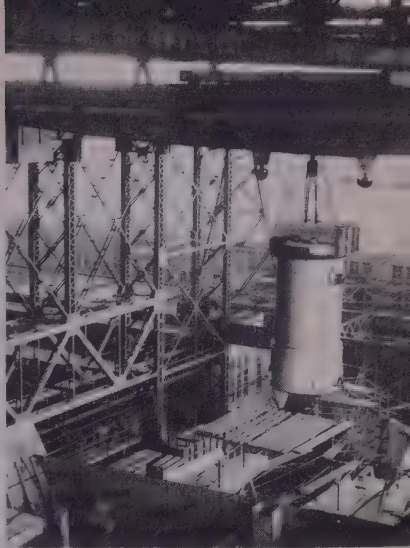
The *Savannah* on the other hand is the forerunner of a fleet considerably farther in the future. Shipping experts concede at the present time

it would be commercially impossible to build and operate such a ship. However, President Eisenhower called for a "Peace Ship" as part of his Atoms for Peace plan and Congress in 1956 authorized construction of the vessel. The result was the New York Shipbuilding - constructed, Babcock & Wilcox reactor-powered *Savannah,* named after the first steamship to cross the Atlantic.

The present-day *Savannah* is a far cry from the predecessor which chugged to Europe in 1819. That $50,000 steamship was a three-masted full-rigged vessel with a one-cylinder, 90-hp engine. She was only 100 feet long and carried enough coal to drive the engine for less than four days of the 29½-day trip to Liverpool (the rest of the time she sailed).

The new *Savannah* is 595 feet long, weighs almost 10,000 tons, cost over $40,000,000. She travels at 20 knots, can carry about 9,340 tons of cargo and 60 passengers (for whose pleasure the ship sports swimming pool, cocktail lounge, bar, etc). She could roam the seas for 3½ years without refueling. A War II Victory or Liberty ship could travel at most two months without a fuel stop—and at considerably slower speed. Commercially her small fuel appetite means more payload room previously taken up by fuel supplies.

The course charted for the *Savannah* is purely an experimental one—to test nuclear power in as many maritime operations as possible. After commissioning next year, the vessel will undergo a preliminary



Reactor aweigh on the Savannah

phase of trials and tests. Then comes operational evaluation. Finally she will be put through her paces in a wide range of commercial passenger-cargo service operations.

The ship will be operated for its Government owners by States Marine Lines and other US flag lines will probably run her in specific operations as sub-agents. From the experience gained on the *Savannah,* shippers will be able to aim for more economical nuclear ships, which will be commercially feasible at that indefinite future time when the "atomic and petroleum fuel cost curves cross."

Congress is already considering a proposal to build a second experimental nuclear ship, a supertanker—the type judged by industry experts as the most likely candidate for early profitable atomic operation.

Fuel For Combustion Engineering

Outlook Bright As Growth Is Sparked By Electric Utilities

UNLIKE MOST capital goods producers, Combustion Engineering Inc chalked up the best of its 49 years in 1958. One reason for Combustion's growth during last year's hard times is its major product: steam generating equipment for electric utilities. The utilities are rather recession-resistant customers since they must meet growing power needs in good times and bad. Besides, since most generating equipment takes 18 months or more to deliver, much of Combustion's 1958 and early 1959 business was booked well in advance of the capital goods recession.

Combustion Engineer Ebdon

With three-fifths of its total volume from utilities, CSP (as the company is known on the Big Board) is delighted with this growth aspect. In the company's urbane Madison Avenue offices president H G (for Hubert George) Ebdon explained: "Any manufacturer tied in with the production of electricity is in a growth industry. The electrical load will be doubling every ten years and five years from now residential consumption alone will equal overall electric production in the wartime peak year of 1944."

But while utility demand is not too greatly affected by the capital goods cycle it has a cyclical equipment buying pattern of its own. This results in a peak order influx to CSP about every fifth year with the added sales and earnings showing up a year or so later.

At the same time the long-term growth makes each cyclical peak taller than the last. For example, a high of $170,000,000 was reached in 1953 (up 24% from the year before) but then volume dipped 12% in 1954 and another 10% the following year. Not until 1957 was the old high topped. Then "1958 was a peak year for us but our billings in 1963 will be beyond that."

In 1958 revenues increased 27% from the year before (and more than double 1953) to $363,600,000 while earnings rose to $8,535,000 ($2.65 a share) from $7,759,000 ($2.42 a share). Part of the gains came from the inclusion of processing plant designer and builder,

the Lummus Company in which CSP bought majority control in mid-1957. But a large part of the increase came from heavy utility business. The first quarter this year continued the gain with earnings of 58¢ a share *v* 50¢.

Cycle Smoother. Along with fluctuating revenues the five-year pattern forces Combustion at times to lay off skilled workers and then recruit new staffs when business rises again. "Eb" Ebdon, who started with Combustion as an engineer in 1917, worked his way up through various engineering and sales duties to the presidency in October 1957, has long been aware of the cyclical problem and seeks to alleviate it. He relates: "We are sponsoring a drive to try and even out this cycle by getting utilities to order their boilers ahead of time." The resultant stretchout would smooth Combustion's production and also give utilities a better buy as "construction costs on boilers rise about 7% a year."

The campaign began to pay off in the first quarter this year when both Connecticut Power & Light and Kansas City Power & Light ordered boilers more than a year ahead of normal time on the "buy and store" plan. This way Combustion builds the boiler immediately and the utilities "moth-ball" the parts until their load trend indicates actual construction of the plant should get underway. This added business helped double Combustion's influx of new orders in the first quarter over the year-ago level, reversing a year-long downtrend in the order level. Even so the March backlog of $356,000,000 compares with $476,400,000 (including Lummus on a pro forma basis) at the end of 1957.

Thus while the March period volume of $81,000,000 was "the best we have had in any first quarter," the lessened backlog may be reflected in reduced operating results for the remainder of 1959. But the early-1959 upturn in new orders should start to show up in improved volume by year end and the trend is expected to continue in 1960.

Combustion Engineering and chief rival Babcock & Wilcox make most of the nation's boilers, furnaces, superheaters and similar equipment to generate the steam which then turns the huge turbines (supplied by GE, Westinghouse, Allis-Chalmers, etc) generating the electric power. Combustion is ready to supply this steam-making equipment whether the utility fuels its boilers with coal, oil or natural gas. And it is also determined to be in the forefront when & if the utilities turn to another major fuel source for their steam—atoms.

New Fuel. A pioneer in the atomic boiler business, CSP became active in the nuclear field 14 years ago. Like most companies concerned with atomic power, it lost money on its atomic operations. But Eb Ebdon explains "the division is necessary for an investment in the future."

He continues: "The trend must be toward atomic generation of power by the utilities. It is a long road—perhaps 20 years before a large proportion of new power capacity will be nuclear and everything depends

on technical advance which of course means lower costs. Three decades ago it took three pounds of coal to generate one kwh of electricity. Today it takes three-fourths of a pound because we have found ways of utilizing higher steam pressure which will do more work. The present atomic steam cycle is equivalent to where we were 30 years ago with coal but I am confident reactors will increasingly replace traditional boilers in the future. We are spending time, research and money to prepare ourselves for this."

On a small scale Combustion is already on the way toward atomic power generation. The AEC recently selected the company to operate and do research and development work on a prototype nuclear reactor for use in remote areas; it is now being tested at the Commission's reactor testing facility in Arco, Idaho. Water is pumped through the reactor core where heat from fissioning atoms of uranium turns it to steam. The steam in turn will generate 200 kw of electricity or enough to operate an outlying radar station plus 400 kw of heat or enough to heat the offices and barracks.

Last February Combustion further strengthened its position in the nuclear field with the acquisition of Florida-based General Nuclear Engineering Corp for 64,000 shares. General Nuclear is engaged in design, engineering and research on atomic energy and president Ebdon emphasizes: "General Nuclear has as good a technical group as you can possibly get." And three-year-old General operates on a profitable basis, last year earned $84,600 on sales of $745,000.

Combustion has another profitable aquisition in Lummus Company which was originally purchased in 1930 by CPS and Babcock & Wilcox with each holding a 44% interest. In July, 1957 Combustion bought out Babcock & Wilcox for $4,000,000. Lummus besides designing and constructing plants for the process industries also makes chemical recovery equipment which reclaims valuable chemicals from black liquor used in pulp making as well as generating steam. Although Eb Ebdon "doesn't want to wave any flags in front of competition" he does admit "we have a very substantial position in this field."

With these general strengthening moves plus the influx in orders, the overall outlook is optimistic despite the expected drop in sales below last year's record volume. While Wall Streeters estimate 1959 earnings will approximate last year's $2.65, next year should be better. Meantime the stock at 36 sells at a relatively conservative 13 times 1958 earnings.

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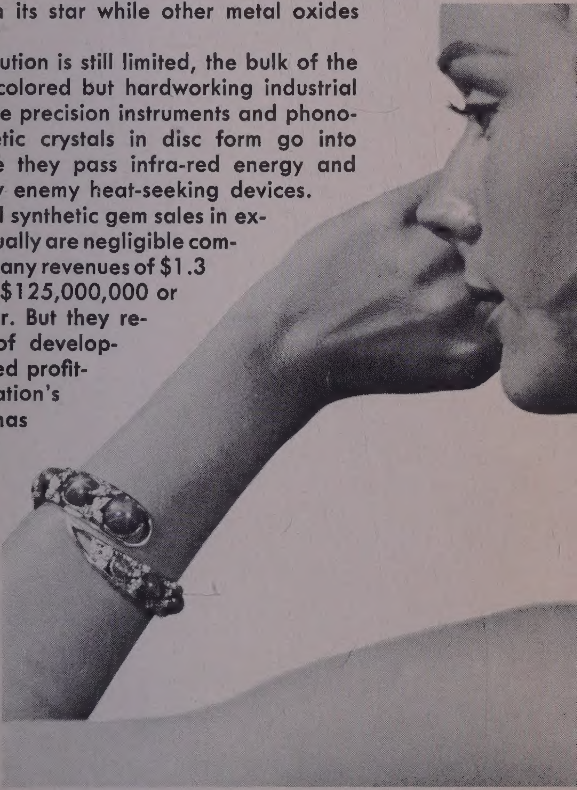
CARBIDE JEWELS

Man-made star sapphires and rubies priced comfortably within the reach of the average working gal now come from the chemical kilns of the Linde Company division of Union Carbide Corp. The synthetic gems look like and have the same chemical composition as natural stones yet cost only $20-to-25 a carat compared to $100-to-250 for natural star-sapphires.

The Linde division whose main business is manufacture of industrial gases worked on development of synthetic industrial gems in War II, came up with a method of reproducing the jewelry type (with star and full color) in 1947. It has worked on improvements ever since. The stones are made in tiny furnaces where molten aluminum oxide is fused layer on layer until the crystal or "boule" reaches the desired size. As in nature, an impurity (titanium dioxide) gives the gem its star while other metal oxides produce the colors.

While jewelry distribution is still limited, the bulk of the Linde gems are the uncolored but hardworking industrial types whose uses include precision instruments and phonograph needles. Synthetic crystals in disc form go into missile nosecones since they pass infra-red energy and thus avoid detection by enemy heat-seeking devices.

So far Carbide's total synthetic gem sales in excess of $1,000,000 annually are negligible compared with overall company revenues of $1.3 billion and earnings of $125,000,000 or $4.15 a share last year. But they reflect the wide range of developments which have spelled profitable progress for the nation's No 2 chemist. Carbide has just completed the best first half in its history with sales estimated over $750,000,000 (v $589,000,000 a year ago) and earnings better than $2.90 on each of the 30,000,000 shares v $1.66 in the first half of 1958.



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"They were learning to draw," the Dormouse went on, yawning and rubbing its eyes . . . "and they drew all manner of things—everything that begins with an M—"

"Why with an M?" said Alice.

"Why not?" said the March Hare.

ALICE'S ADVENTURES IN WONDERLAND
Chapter VII

That reminds us of a recent *New York Times* story about the man who buys stock only in New York Stock Exchange-listed companies that have names beginning with the word *general:* General Dynamics, General Electric, General Foods, General Mills, General Motors, etc. He says he does it because it's easy to find them all together in the newspaper stock tables.

Well, that's one way of choosing investments, and sometimes it works pretty well. But it's not a system that we can honestly recommend to everyone. We think you have a better chance of profit if you select your stocks carefully in accordance with your aims instead of simply by company names.

We're prepared to help you make a selection if you like. Just stop by any Merrill Lynch office and ask to talk with one of our account executives. No charge or obligation involved, no strings attached.

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